National and Firm Level Drivers of the Devolution of HRM Decision Making to Line Managers

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Abstract

MNCs must understand the influences on responsibility for managing people so that they can manage talent consistently thus ensuring that it is transferable across locations. We examine the impact of firm and national level characteristics on the devolution of HRM decision making to line managers. Our analysis draws on data from 2335 indigenous organizations in 21 countries. At the firm level, we found that where the HR function has higher power, devolution is less likely. At the national level, devolution of decision-making to line management is more likely in societies with more stringent employment laws and lower power distance.

Keywords: HR function; Talent Management; Line managers; HR role; Institutions; Comparative HRM

The need for multi-national companies (MNCs) to be able to transfer talent across multiple countries (Farndale, Scullion & Sparrow, 2010) has accentuated the importance of global talent management (GTM) (Björkman, Fey & Park, 2007) and therefore of managing people consistently across global locations (Makela, Björkman, Ehrnrooth, 2010; Schuler, Jackson & Tarique, 2011; Tarique & Schuler, 2010). This is particularly true in relation to pivotal employees in key talent pools (Caligiuri, Lepak & Bonache, 2010). Developing consistent approaches to GTM across subsidiaries can be challenging as the internalization of common practices by local managers can vary significantly (Kostova, 1999; Rosenzweig & Nohria, 1994), particularly when HR decision-making in foreign subsidiaries is highly devolved. In order to ensure sufficient consistency, scholars within the international business (IB) field have therefore emphasized the need for the corporate HR function to take responsibility for GTM, both in coordinating GTM and implementing global HR values and systems (Farndale, Scullion & Sparrow, 2010). In doing this, the corporate HR function must consider who, or what function, makes HR or GTM decisions at a firm-level – this is the focus of this paper. In locations where HR decision-making is highly devolved, standardization of GTM will require substantial training of line managers. Alternatively, MNCs can promote HR responsibility for HR decision-making by developing a powerful local HR function.

We argue that, in examining the location of responsibility for HR decision-making, MNCs must consider conditions at both the firm and national level. First, at the firm level, we investigate the impact of HR functional power on the location of responsibility for HR decision-making. Second, as, both formal and informal national-level institutions impose pressure on firms to localize HR architecture such as HR decision-making responsibility (Caligiuri, Lepak & Bonache, 2010, Lertxundi & Landeta 2012), we argue that national context is also important to MNCs when developing their global talent management architecture (Sparow, Scullion & Tarique, 2014). While the impact of national context on the location of HR decision-making has been reported in previous studies (Brewster & Larsen, 2000; Gooderham & Nordhaug, 2011; Mayrhofer, Brewster, Morley & Ledolter, 2011; Mayrhofer, Muller-Camen, Ledolter, Strunk & Erten, 2004), the coexistence of, and distinction

between, formal and informal national institutions has been largely ignored. Our study distinguishes these influences.

In examining both firm and national level influences on the location of responsibility for HRM decision-making we address the need for research that crosses levels of analysis (Peterson, Arregle & Martin, 2012) while also building on previous work that has examined the impact of formal institutions on the devolution of HRM to line managers (Andolšek & Štebe, 2005). Our analysis contributes to the debate on the choices faced by organizations that are seeking to globalize their HRM and talent management (Farndale, Sparrow & Scullion, 2013). By accounting for the sources of variation in the devolution of HR decision-making, MNC managers can develop appropriate strategies for global talent management.

DEVOLUTION OF HRM TO LINE MANAGERS

Line managers are defined as "those managers to whom individual employees or teams directly report and who have responsibility to a higher level of management for those employees or teams" (CIPD, 2012: 1). We therefore focus on managers who have responsibility for managing staff but who are not on the senior management team. In defining devolution, Cascon-Pereira, Valverde and Ryan (2006) emphasize its multidimensional nature involving the devolution of tasks and responsibilities, decision-making power, financial power and expertise power in relation to HRM. While previous research has focused on the devolution of HR tasks and responsibilities (Cascon-Pereira et al, 2006; Mayrhofer et al, 2011), we examine the devolution of decision-making power, defined as the responsibility for making decisions on HRM policy-related issues encompassing staffing, training and development, pay and industrial relations (Larsen & Brewster, 2003). For example, Casco-Pereia et al (2006) described power in relation to decisions on training priorities and staff numbers. We focus on decision-making power because of its centrality in setting the HR agenda and the way in which talent is managed, as opposed to HR tasks and responsibilities which often represent the implementation of policy decisions made at a higher (or more central) level.

HR FUNCTIONAL POWER

While some scholars originally linked the devolution of HRM tasks with the ability of HR departments to focus on more strategic (and thus more powerful) activities (Guest, 1997), more recently, the increased devolution of HRM tasks has been associated with lower HR functional power (Sheehan, De Cieri, Cooper & Brookes 2014). Sheenan, De Cieri, Greenwood and Van Buren (2014), explain that, while devolution of HR tasks to line managers is often intended to facilitate a move to a more powerful role for HR, in reality it is accompanied with a loss of control. Reichel and Lazarova (2013) related increased devolution of HR decision-making to lower functional HR power as an HR function with less power is more easily substituted. We refine their work by focusing on indigenous firms, with or without international operations, and extend the number of countries used. Further, we argue that, given its role in setting the organization's HR agenda, devolution of HR decision-making is even more likely to relate to lower HR power than that of HR tasks.

We define the power of the HR function ("HR-Power") in relation to its strategic significance within the firm (Wright & McMahan 1992). This comprises three mechanisms: firstly, whether the HR function has achieved board membership; secondly whether it has a substantial degree of involvement in the development of the firm strategy; and thirdly whether line managers are involved in its evaluation. Sheehan et al (2014) explain that HR functions with a place on the board have access to formal and informal decision making processes and are therefore more likely to influence outcomes related to HRM. Another source of power for the HR function is whether it participates in the top management team. Welbourne and Cyr (1999: 617) differentiate firms that have a senior HRM executive on the top management team and argued that this is a consequence of whether the HRM function is taken "seriously": "being taken seriously is linked with departmental and individual organizational power". Buyens and De Vos (2001) suggested that involvement from the outset (as opposed to a later stage) in strategy discussions can be considered an indicator of the overall status of the HR function within the organization, as it signals that the HR function is a "strategic partner" of the top management team (Buyens & De Vos, 2001: 80) and therefore has a more powerful position in determining the overall HR agenda. In firms in which the HR function is lacking in power, its role

will be confined to that of a service provider to line managers who will regularly evaluate the quality and relevance of the service provision. Therefore, in line with Galang and Ferris (1997) and Reichel and Lazarova (2013) we argue that a strategically positioned HR department has more power than an administrative HR function that is purely a service provider and is more likely to retain HR decision-making responsibility.

Hypothesis 1: In more powerful HR functions, primary HR decision-making is less likely to be devolved to line managers.

FORMAL AND INFORMAL INSTITUTIONS

Responsibility for HR decision-making may also be influenced by power outside the firm (Scott, 1987). Institutions are the "rules of the game" that structure human interaction (North, 1990: 3) and, are generally accepted to exert power on management approaches and practices (Carney, Gedajlovic, Heugens, van Essen & van Oosterhout, 2011; van Essen, Heugens, Otten & van Oosterhout, 2012). For firms, a significant formal institution is employment legislation (EL) (Beck, Clarke, Groff, Keefer & Walsh, 2001). From a coercive institutional perspective firms experience EL as state mandated pressure which they respond in order to avoid sanctions and to secure legitimacy (DiMaggio & Powell, 1983). The existence of a common legal environment is experienced by the firm as an exogenous power that constrains and shapes both organizational behavior and structures (DiMaggio & Powell, 1983; Karnøe, 1995). We therefore include EL in our study as a formal institution.

EL affects the latitude firms have to develop firm-specific HRM policies and practices, as the existence of strong and elaborate EL restricts the degree of autonomy that firms have to develop novel HRM practices (Gooderham, Nordhaug & Ringdal 1999). Specifically, Botero, Djankov, La Porta, Lopez-Silanes and Shleifer (2004) emphasized the significance of EL for the governance of the employment contract. The greater the degree to which the conditions of employment are specified legally, the less latitude employers have to adapt HRM in accordance with their strategic and operational needs. Andolšek and Štebe (2005) explained that, the stronger the institutional framework, the fewer options an MNC has to impose its own approach to regulating HRM. We argue therefore

that firms constrained by relatively rigid EL have fewer incentives to develop a specialized HR function that has HRM decision-making responsibility, so devolution to line management is greater. Thus:

> Hypothesis 2: The more extensive EL is in society, the more likely are line managers to assume primary responsibility for decisions on HRM

In addition to formal institutions, informal national level institutions may also determine responsibility for HRM decision-making. Specifically, Berry, Gullien and Zhou (2010) included culture as a key factor in a list of informal dimensions of cross-national distance. Culture can be described as the "actual rules that are being followed" (Helmke & Levitsky, 2006: 10) suggesting that cultural values "are related to the aggregate management practices and beliefs of nations" (Kirkman, Lowe & Gibson, 2006: 3). Scholars employing a cultural lens (Hofstede 2001; Ronen & Shenkar, 1985; Schwartz 1994; 1999) have demonstrated that HRM practices considered appropriate in one cultural context may be less appropriate in another (Ferris, Hochwarter, Buckley, Harrell-Cook & Frink, 1999; Newman & Nollen, 1996).

No one single best societal classification exists (Tang & Koveos 2008). Tung and Verbeke (2010) argue that researchers should not use multiple cultural measures but should choose the most appropriate measure in light of the context and research questions. Our research focuses on values, not as they "should be" but as "broad tendencies to prefer certain states of affairs over others" (Hofstede, 2006: 886). Therefore, Hofstede's conceptualization of values as the individual's own preferred end states (the desired) is more appropriate than House, Hanges, Javidan, Dorfman and Gutpa's (2004) operationalization of values as preferences about the behavior of others in one's society (the desirable) (DeMooij, 2013; Smith, 2006) or Schwartz's values as "guiding principles in my life" (DeMooij, 2013: 257). We focus here therefore on values as "the desired" (DeMooij, 2013: 256). While many scholars have criticized Hofstede's work, research has strongly supported the relevance and utility of his taxonomy for understanding cultural differences in values (Daniels & Greguras, 2014; Smith, Dugan & Trompenaars, 1996; Sondergaard, 1994).

Arguably a number of cultural dimensions such as uncertainty avoidance could have an impact on the location of responsibility for HR decision-making. However, in this study our focus is on power at both the firm and national level. Therefore, drawing on Hofstede, we focus on the unequal distribution of power within society. The level and acceptance of inequality within society and organizations are often represented in cultural theory by the concept of Power Distance (PD) (Hofstede, 1980, 2001; House, et al, 2004). Hofstede, Hofstede and Minkov (2010) define PD as the extent to which the less powerful members of organizations not only accept but expect that power is distributed unequally. Individuals in a society that exhibits a high degree of PD see no need for the justification of hierarchies. Societies with low power distance seek distributed power. House et al. (2004) also included PD as a GLOBE cultural dimension, and Schwartz (1994; 1999) emphasized the importance of the acceptance of hierarchical roles in society.

In organizations, PD "influences the amount of formal hierarchy, the degree of centralization, and the amount of participation in decision making" (Newman & Nollen 1996: 756). We argue here that responsibility for HR decision-making is concerned with power. In line with our argument that firm-level HR power will determine the location of HRM decision-making (Reichel & Lazarova, 2013; Sheenan et al, 2014), the level of acceptance of such power differentials in the society in which an organization is located is also important.

PD has shown a negative relationship with participative decision-making and a positive relationship with paternalism and centralization (Hofstede, 2001; Newman & Nollen, 1996). In societies with high PD, powerful individuals are expected to lead autocratically (Hofstede 1980); those with less power accept their place and defer to them on judgments (Kirkman, Chen, Farh, Chen & Lowe, 2009). Research on the relationship between PD and devolution of HRM is limited: Joiner (2001) noted that in high PD cultures, management is less likely to decentralize authority as it creates confusion and anxiety; Kirkman, Lowe and Gibson (2006) indicated that centralization of decision-making is

significantly higher in countries with high PD. Similarly, Daniels and Gregarus (2014) reported low PD as related to higher participation in decision-making and employee empowerment. Thus:

> Hypothesis 3: The greater the PD in a society the less likely it is that line managers have primary responsibility for HRM decision-making.

Differentiating HRM Areas

Research has adopted an aggregated measure of HRM devolution to line managers (Andolšek & Štebe, 2005). This assumes that devolution to line managers operates identically for all HR activities rather than considering the contingent nature of different HRM areas. We favor a contingency perspective (Hickson, Hinings, Lee & Schneck, 1971; Reichel & Lazarova, 2013) and suggest that devolution might differ across HRM decisions. In support of this, Srimannarayana (2010) found that the devolution varied across HR activities with line managers having higher responsibility for performance management, training and development (T&D) and lower responsibility for employee compensation. In a similar fashion, Larsen and Brewster (2003) report higher line management responsibility for recruitment and selection while higher centralized HR authority for industrial relations and pay.

Rather than creating hypotheses for each domain of HRM, we take an exploratory approach and empirically investigate the possibility that the impact of our predictors might differ by the HRM area under consideration.

DATA

Our sample of organizations is from the 2009-10 Cranet Survey. The questionnaire, focused on factual information regarding organizations and their HRM policies, was developed first in English before translation/back-translation procedures were undertaken to ensure equivalence (Cascio, 2012). The research team included a member from each country to facilitate conceptual equivalence across countries. Questionnaires were sent to the highest-ranking HR manager within representative national samples of organizations with more than 100 employees. This strategy is in line with Kumar, Stern

and Anderson (1993) who endorsed the use of key informants in survey research at the organizational level and allowed us to survey a large number of organizations across multiple countries.

The data cover 2335 indigenous organizations located in: Austria; Australia; Denmark; Finland; France; Germany; Greece; Hungary; Ireland; Israel; Japan; Netherlands; Philippines; Russia; Slovenia; South Africa; Sweden; Switzerland; Taiwan; United Kingdom; USA. Response rates among countries varied between 9 and 23%. We compared answers from the first 10% to those from the last 10% of respondents and found no evidence of systematic response bias (Cascio, 2012).

In order to avoid common method variance (Cascio, 2012), data were gathered from a number of different sources. Firm level data were gathered using the questionnaire, where respondents were guaranteed anonymity and criterion measures were placed in different sections of the questionnaire and in different formats from predictor and demographic variables. Country level data were derived from Hofstede (2001) and Botero et al. (2004).

Dependent Variables

The primary responsibility for HRM decision-making spans four HRM areas: pay and benefits, recruitment and selection, training and development (T&D) and industrial relations (IR). Responses were coded as 0 for only the HR function, 1 for the HR function with line managers, 2 for line managers with the HR function and 3 for only line managers being responsible for each issue. To create an overall measure of HRM decision-making responsibility these values were summed.

Independent Variables

HR power was assessed through three measures: whether the person with responsibility for HRM issues had a seat on the Board (0=no, 1=yes); where the organization had a business/service strategy, whether the person responsible for HRM was involved in its development from the outset (1=yes, 0=no,) (those organizations without a business/service strategy were excluded); and whether line management views were considered for the evaluation of the HR function (1=not considered,

0=considered). Our combined measure ranged from 0 to 3. For *Formal Institutions,* we used Botero et al.'s (2004: 1348-9) EL Index, calculated as the average of alternative employment contracts, cost of increasing hours worked, cost of firing employees and extent of dismissal procedures. Values were normalized ranging from 0 to 1, where the higher the value the stricter the laws. For *Informal institutions,* we used the scores from Hofstede's PD dimension (Hofstede, Hofstede & Minkov, 2010). Values in this study ranged from 11 to 94 denoting higher PD for higher values.

Control Variables

We employed three controls. "Organization size" was included as past research has suggested that larger organizations are more subject to institutional pressures than smaller ones (Perry-Smith & Blum, 2000) and was measured as the log number of employees and subsequently standardized. "Industry" was included to account for the fact that differences in strategy between services and manufacturing organizations might affect devolution of HRM decisions (Lengnick-Hall, 1996) and was operationalized as services (1) or manufacturing (0). In order to control for effects of whether the organization owns foreign operations in addition to its domestic operations we developed a dichotomous measure that distinguished between: (0) exclusively domestic operations (non-MNCs) and (1) domestic and foreign operations (MNCs).

Analysis

Since we address both firm and national level effects and our data involved a nested structure of 2335 firms in 21 countries, we used Hierarchical Linear Modeling (HLM) (Peterson, Arregle & Martin, 2012). Unlike OLS regression, which assumes independence of firms regardless of country, HLM accounts for the fact that firms within a country may be more similar to one another than firms in other countries, accounting for differences in industry type. All interval and continuous variables were standardized.

RESULTS

Line management responsibility was significantly related, positively or negatively, to all firm and national level independent variables (see Table 1). EL is the most strongly correlated, followed by HR-Power and then PD.

[Insert Table 1 about here]

Our HLM analyses are presented in Table 2. Model 0 with only the intercepts was conducted to assess fit. Model 1 contains the control variables where, "firm type" and "size" had a negative and significant relationship with line management responsibility. These effects generally remain constant across the models. We tested whether "HR-Power" affects line management responsibility in Model 2 and found support for this. In order to assess whether informal institutions affect the influence of formal institutions on line management responsibility we entered the formal institution ("EL") in Model 3 and informal national institution ("PD") in Model 4. In line with hypothesis 1 HR-Power is statistically significant throughout all models. In support of hypothesis 2 and 3 EL and PD are both statistically significant in Model 4.

[Insert Table 2 about here]

Separate HLM analyses for each national level variable generally revealed the same results as in the above models. In Table 3 we present analyses of the devolution of HRM decision-making power for each of four HRM areas (pay, recruitment/selection, T&D, IR). HR-Power and EL were consistently significant for each of the four areas, while PD was significant for all but one of the areas (IR).

[Insert Table 3 about here]

DISCUSSION

We have shown that HR power at the firm level, coupled with formal and informal national institutions (EL and PD respectively) have unique effects on responsibility for HR decision-making. More powerful HR functions are more likely to have responsibility for HRM decision-making, supporting Reichel and Lazarova (2013). In addition, devolution of HRM decision-making was more likely with more stringent EL, supporting Andolšek and Štebe (2005). In high PD cultures, HRM decision-making is less likely to be devolved.

When examining separate HR practices all of the above relationships held, with the exception of that between PD and industrial relations (IR), which is not significant. Arguably this may be because IR are related strongly to formal institutions such as EL and unionization so are less influenced by informal institutions such as PD. In addition, IR is an area that requires a level of HR expertise regardless of the context in which the firm is operating. Further research is required to examine this.

Through these findings, we make a number of important contributions. First, we add to a growing conversation within the IB literature on who, or what function, has responsibility for GTM. In doing so, we build on extant studies confirming cross-national differences in location of HR responsibility by uncovering the relative importance of both organizational and national level (both formal and informal) factors in driving these differences. We also add to recent discussions about the role of power dynamics in influencing HRM by showing that power-related characteristics at both organizational and national levels affect the locus of HR decision-making within an organization.

Our research is limited by our selection of a relatively small number of HR practices and contextual characteristics related to power. Future research should examine other HR practices and a broader range of formal and informal institutional forces. A further limitation is that we have used single source data for our organizational level analysis As "primary responsibility" is likely to be affected by

subjective evaluations, using single-item measures for each of the four areas in our exploratory analyses reported in Table 3 constitutes another limitation.

Despite these limitations, our findings have important implications for MNCs that are seeking consistency of GTM practices across their operations in order to ensure that they can transfer talent globally. MNCs, particularly those that expand through acquisition, will have to confront national level influences on location of responsibility for HR decision-making when developing consistent GTM practices. In the case of locations where highly devolved HR decision-making responsibility is preferred, consistent GTM will require that corporate HR functions ensure that line managers are trained in the required HR systems and values (Farndale et al, 2010). .

As Oliver (1991) has argued, firms can engage in strategic behaviors in direct response to institutional pressures. Our findings indicate that the HR function has a similar capacity for agency. In cases where investing in extensive line manager training is regarded as unviable developing a powerful local HR function might provide an alternative by which MNCs can retain responsibility for HR decision making within an expert HR function. However, political skill will be required to overcome institutional pressures (Oliver, 1991).

In summary MNCs will therefore need to consider firm level influences and national formal and informal institutions in making the decision whether to devolve HRM and in creating strategies to maintain the consistency of talent across countries.

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Table 1: Descriptive Statistics and Bivariate Correlations of Variables

	MEAN	STANDARD DEVIATION	Line Management Responsibility	Industry	HR Power	Type of Firm	Size (log)	PD	EL
Line Management Responsibility (0-12)	5,17	3,16	1						
Pay	1,30	1,02			-0,16**			-0,14***	0,33**
Recruitment/selection	1,43	0,92			-0,11**			-0,14***	0,26**
T&D	1,40	0,93			-0,10**			-0,10***	0,16**
IR	1,06	1,08			-0,12**			-0,06**	0,16**
Services	0,55	0,50	-0,01	1					
HR-Power (0-3)	1,33	0,84	-0,16***	0,01	1				
Type of Firm[a]	0,65	0,480	-0,03	-0,03	0,02	1			
Size	2721	16551	-0,33***	-0,02	0,07**	0,13***	1		
PD	42,33	17,91	-0,14***	0,04	0,07**	-0,16***	0,04	1	
EL	0,49	0,21	0,28***	-0,11**	-0,03	-0,18***	-0,10***	-0,12***	1

[a] *Type of Firm*, (0) exclusively domestic operations; (1) domestic and foreign operations.
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 2: HLM Line Management Responsibility

	Model 0		Model 1		Model 2		Model 3		Model 4	
FIXED EFFECTS										
Intercept	0,15	0,10	0,07	0,08	-0,00	0,08	-0,02	0,07	-0,08	0,05
PD									-0,11*	0,04
EL							0,16*	0,06	0,22**	0,04
HR-Power					-0,11**	0,02	-0,11**	0,02	-0,12**	0,02
Services			0,01	0,09	-0,00	0,09	-0,00	0,08	0,00	0,06
Firm Type [a]			-0,10*	0,04	-0,09*	0,05	-0,10*	0,05	-0,08	0,05
Size (log)			-0,21**	0,02	-0,15**	0,02	-0,15**	0,02	-0,12**	0,02
RANDOM EFFECTS										
σ_ε^2	0,84**	0,02	0,80**	0,03	0,68**	0,02	0,69**	0,02	0,66**	0,02
σ^2	0,09**	0,02	0,06**	0,02	0,05*	0,02	0,04*	0,01	0,01*	0,01
-2Log(L)	6300		6126**		4511***		4509*		4146***	

[a.] *Type of Firm*, (0) exclusively domestic operations; (1) domestic and foreign operations.

Level 1: Line Management Responsibility = $\beta_0 + \beta_1 \times$ Industry + $\beta_2 \times$ Firm Type + $\beta_3 \times$ Size + $\beta_4 \times$ Functional Power of HR Dept. + ε

Level 2: $\beta_0 = \gamma_{00} + \gamma_{01}(\text{industry}_j) + \gamma_{0j}$ where j= 1,…, 21 $\beta_k = \gamma_{k0} + \gamma_{k1}(\text{industry}_j) + \gamma_{kj}$ where k=1,…10

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.00$

TABLE 3: Line Management Responsibility for Individual HR Practices

Responsibility for:	Pay		Recruitment/Selection		T&D		IR	
FIXED EFFECTS								
Intercept	1,26***	0,06	1,39***	0,05	1,29***	0,03	1,05***	0,07
PD	-0,12*	0,05	-0,09*	0,04	-0,11***	0,02	-0,03	0,06
EL	0,19**	0,06	0,20***	0,05	0,12**	0,02	0,15*	0,07
HR-Power	-0,12***	0,02	-0,07***	0,02	-0,07***	0,02	-0,09***	0,02
Services	0,00	0,07	0,03	0,06	-0,02	0,04	-0,02	0,09
Firm Type [a]	-0,07	0,05	-0,08	0,05	-0,10*	0,05	-0,01	0,05
Size (log)	-0,11***	0,02	-0,03	0,02	-0,06**	0,02	-0,16***	0,03
RANDOM EFFECTS								
σ_ε^2	0,67***	0,02	0,63***	0,02	0,71***	0,02	0,89***	0,03
σ^2	0,02**	0,01	0,01*	0,01	0,00	0,00	0,04**	0,01
-2Log(L)	4188		4080		4243		4656	

[a.] *Type of Firm*, (0) exclusively domestic operations; (1) domestic and foreign operations.

Level 1: Pay, Recruitment/selection, T&D, IR, $= \beta_0 + \beta_1 \times$ Industry $+ \beta_2 \times$ Firm Type $+ \beta_3 \times$ Size $+ \beta_4 \times$ Functional Power of HR Dept. $+ \varepsilon$

Level 2: $\beta_0 = \gamma_{00} + \gamma_{01}(\text{industry}_j) + \gamma_{0j}$ where j= 1,…, 21 $\beta_k = \gamma_{k0} + \gamma_{k1}(\text{industry}_j) + \gamma_{kj}$ where k=1,…10

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.00$